

Testimony of

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on behalf of

**The Associated General Contractors of America**

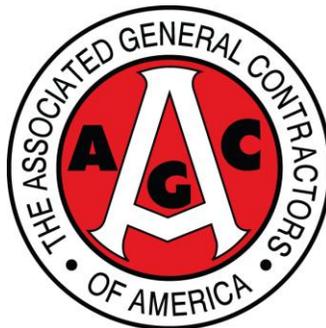
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for a hearing on

Water Resources Development Act of 2010:  
Jobs and Economic Opportunities

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The Associated General Contractors of America (AGC) is the leading association for the construction industry. AGC represents more than 33,000 firms, including 7,500 of America's leading general contractors, and over 12,500 specialty-contracting firms. More than 13,000 service providers and suppliers are associated with AGC through a nationwide network of chapters. Visit the AGC Web site at [www.agc.org](http://www.agc.org).

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Thank you, Madam Chairwoman, Ranking Member Inhofe and the distinguished members of the Committee for inviting me to participate in today's important hearing on how passing a Water Resources Development Act in 2010 will provide a path to job creation and lead our economy down the road to recovery.

My name is Mitch White. I am General Counsel of the Southern California office of Manson Construction Co. located in Long Beach, California, and I am here today testifying on behalf of the Associated General Contractors of America (AGC). Manson Construction Co. is headquartered in Seattle, WA. Experience, integrity and dependability have made Manson Construction Co. the quality name in heavy marine construction and dredging for more than 100 years. We have a world-class marine construction fleet and a workforce that is unsurpassed in its experience and dedication to safety. We consistently deliver the best value on projects that include: dredging of ports and waterways, land reclamation through beach renourishment and levee construction, and the construction of wharfs, piers, terminals, bridges and outfalls. Needless to say, regular and timely Congressional authorizations of water resources development projects provide the lifeline for our business.

AGC is the leading association for the construction industry. Founded in 1918 at the express request of President Woodrow Wilson, AGC now represents more than 33,000 firms in nearly 100 chapters throughout the United States. Among the association's members are approximately 7,500 of the nation's leading general contractors, more than 12,500 specialty contractors, and more than 13,000 material suppliers and service providers to the construction industry. These firms engage in the construction of buildings, shopping centers, factories, industrial facilities, warehouses, highways, bridges, tunnels, airports, waterworks facilities, waste treatment facilities, dams, hospitals, water conservation projects, defense facilities, multi-family housing projects, municipal utilities and other improvements to real property. Many of these firms regularly perform construction services for the U.S. Army Corps of Engineers, the Naval Facilities Engineering Command, the General Services Administration and other federal departments and agencies.

AGC is also a founding member and Co-Chair of the Water Resources Coalition, which was established in 2007 to promote the development, implementation, and funding of a comprehensive national water resources policy. The coalition represents state and local governments; conservation, engineering, and construction organizations; and ports, waterways, and transportation services. The Coalition supports developing, implementing, and funding a comprehensive national water resources policy to provide a sustainable, productive economy; a healthy aquatic ecology; and public health and safety.

## **Background**

AGC's members are comprised of a diverse group of contractors engaged in the major commercial construction markets. On behalf of AGC, I urge this Committee to swiftly act on passage of a new Water Resources Development Act (WRDA) as a means of providing a legislative vehicle which, when coupled with significant funding, will substantially boost construction activity. I can assure the Committee we have excess capacity at not only my company, but throughout the construction industry. We need investment to create jobs throughout the nation's coastlines, our inland waterways, and the Great Lakes.

Historically WRDA authorizes water resources projects and policies for navigation, flood control, hydropower, recreation, water supply and emergency management for The U.S. Army Corps of Engineers (USACE). Although a WRDA was recently enacted in November 2007, it took seven years to reauthorize this traditionally biennial legislation. Enacting a WRDA during the 111th Congress will put this critical

legislation back on schedule and continue to provide the nation with a comprehensive and modernized water resources program.

AGC strongly believes that WRDA reaffirms the government's pledge to authorize, modify, and improve projects, programs, and policies protecting the nation from floods and keeping our waterways open to navigation. Regular authorizations of water resources development projects fulfill these important missions. Accordingly, Congress must regularly authorize and invest in new waterways projects to secure our nation. Failure to properly invest in flood protection efforts, which have been underway since the late 1800s, would leave hundreds of thousands of homes, businesses and other critical infrastructure vulnerable to devastating floodwaters. It is clear that waterways projects grow the economy. Waterways programs foster economic development, facilitate trade and commerce, aid international competitiveness, stimulate employment, provide water recreation opportunities, enhance agricultural and industrial productivity, and augment our national defense. Historically, such programs have had numerous benefits - flood damage reduction projects alone have prevented an estimated \$706 billion in damages, an eight-to-one return on the Federal government's investment; and Operations and Maintenance work provides an average of \$14.10 return for every dollar invested. In the Mississippi Valley and Tributary System, more than \$24 in damages is saved for each dollar spent.

### **Unprecedented Job Losses**

While the nation continues to suffer through a recession, the construction industry is experiencing depression-like conditions. In a strong economy, the construction industry employs more than 7 million people and represents more than \$1 trillion annually in economic activity, including \$500 billion in materials and supplies and \$36 billion in new equipment. Today, however, construction companies and our employees are suffering as state and local governments and private companies cut back construction spending to adjust to today's budget realities. Nationally, only 11 out of 337 metropolitan areas added construction jobs between March 2009 and 2010. Over that same period, 48 states and the District of Columbia lost construction jobs. Among the states losing construction jobs last year, California (108,500, 16.3 percent) lost the most and Nevada (30.0 percent, 27,400 jobs) experienced the highest percentage declines in construction employment over the past year. New construction employment figures for metropolitan areas in my state of California, for example, underscore how badly the recession has hurt the state's construction industry. Of the 28 metro areas in the state, 26 lost construction jobs between March 2009 and 2010, while the other two remained stable. Sacramento lost one out of every five construction jobs (8,300 jobs, 19 percent) over the past year. El Centro lost the highest percentage of jobs (29 percent, 500 jobs), while the Los Angeles area lost the most jobs (22,700 jobs, 18 percent). Napa (27 percent, 800 jobs); San Luis Obispo (26 percent, 1,500 jobs); and Chico (24 percent, 600 jobs) also experienced high rates of job loss.

Non-residential construction workers are prepared to add jobs in America after nearly 2 million lost jobs since December 2007. Conditions are ripe for public owners to get a great bargain on construction services. After five years of unprecedented growth in demand and price, both supplies and prices for construction materials have stabilized. With material capacity, ready labor, and a backlog of deferred projects, the construction industry stands ready to build now for the future.

### **Infrastructure Investment Creates Jobs**

The construction industry continues to suffer from weak demand for new construction activity. Annual construction spending declined to an eight-year low in February 2010. According to AGC Chief Economist Ken Simonson, single-family homebuilding and economic stimulus provided by the American

Recovery and Reinvestment Act should help boost construction employment in a number of metro areas this spring, but high vacancy rates and shrinking state and local budgets will keep construction employment from rising in most areas.

AGC supports construction as an economic stimulus both through enhanced construction spending and through construction tax incentives (such as Build America bonds, Energy Efficiency tax credits for commercial buildings, and public-private partnerships). Infrastructure investment, however, directly puts people to work in engineering, design, and construction. Those people in turn purchase materials and equipment, spurring manufacturing jobs. Construction improvements increase efficiency and lay the groundwork for sustained economic growth.

Research conducted for AGC by Stephen Fuller of George Mason University estimates that every \$1 billion invested in infrastructure projects would create over 28,500 new direct and indirect jobs. Each billion dollars invested would add about \$3.4 billion to the Gross Domestic Product (GDP) as it ripples through the economy and about \$1.1 billion to personal earnings. An infusion of federal infrastructure funding would have a direct economic benefit by providing opportunities for companies like mine to compete for work.

Depending on the size of federal investment, its duration, and the types and sizes of contracts that we are awarded, Manson has already begun to expand its scheduled replacement of older inefficient equipment with newer, more environmentally friendly equipment. Census Bureau data show that U.S. manufacturers shipped more than \$500 billion worth of construction materials and nearly \$30 billion worth of construction equipment in 2008. Therefore, the increased investment in equipment would benefit manufacturing and the economy as a whole as those dollars are spread throughout many other sectors of the economy.

### **Water Resources Infrastructure: A Key to Recovery**

Our nation's waterways infrastructure has construction, operations and maintenance needs that a new WRDA bill would facilitate. A new bill would also provide additional opportunities for new authorizations as well as an opportunity to reexamine and potentially de-authorize older, outdated authorized projects that may no longer be needed. Subsequent funding for authorized projects would create immediate construction employment opportunities. With additional funding, USACE would fully fund major waterways and dam safety projects. According to USACE, it would take about nine months for USACE to go through the entire contractor selection process and award a contract. While the time it would take for the contractor to ramp up would vary depending on the project, the good news is that these investments would continue for several years, particularly for very large construction projects. Conversely, job creation for ongoing and smaller construction projects, including dredging and operations and maintenance work, could provide the quickest surges in job creation.

Additional federal infrastructure funding would have a direct stimulus effect by putting more contractors and their employees back to work. It also improves economic efficiency, and makes our country more competitive long term. There is an estimated \$2.2 trillion needed to improve our nation's infrastructure over the next five years. There are several other important benefits that water resources projects can provide. Such investments would:

- Substantially reduce the backlog of critical maintenance and repairs at approximately 360 multiple purpose flood control, hydropower, recreation, water supply, and navigation projects
- Repair several high risk dams

- Rehabilitate and upgrade hydropower plants to achieve an industry standard 98 percent availability
- Recapitalize the oldest and most at-risk projects on our inland waterways system
- Fully dredge to authorized depth the nation's 296 highest use, deep draft, commercial ports
- Fully dredge our inland waterways to authorized depth and width
- Repair and upgrade critical coastal population protection projects

The nation's Marine Transportation System contributes 30 percent of the nation's Gross Domestic Product through the movement of petroleum, coal, and other energy products to power plants and consumers, and through the export of agricultural and other products to global trade partners improving the nation's balance of trade. Approximately 2.6 billion tons, or 94 percent, of the nation's commercial import and export commerce, valued at over \$620 billion, is moved on the channels and waterways. Failure to maintain channels creates a drag on the economy and may slow economic growth. Additional investment in our nation's waterways would be used to improve channel availability of our coastal ports from 32 percent to 95 percent, and would improve inland waterway lock and channel reliability and availability by reducing lock closures due to mechanical failures from 27,000 hours to 10,000 hours per year.

Finally, investment in this sector will greatly expedite the construction of critical environmental projects, completing projects sooner and returning critical ecosystems to a more natural state. Projects producing beneficial impacts on more than one million acres could be expedited. Of these outputs, approximately 90 percent are nationally significant and would contribute greatly to long-term environmental sustainability.

To maximize the economic stimulus benefits of investment in water resources projects, we recommend that cost-sharing sponsors be allowed to repay their share within five years. Since most USACE projects are cost-shared, and many local jurisdictions are experiencing budget shortfalls, this provision would allow USACE to enter into cost-sharing agreements without regard to the short-term availability of the non-federal share and immediately apply funding where it would do the most good.

### **Waterways Transportation Is Green Transportation**

Every year, about 624 million tons of waterborne cargo travels the inland waterways, a volume equal to about 14 percent of all intercity freight. This commerce has an overall value of about \$70 billion, substantially contributing to America's economic strength. Waterways transport more than 60 percent of the nation's grain exports, about 22 percent of domestic petroleum and petroleum products, and 20 percent of the coal used in electricity generation. Barges are ideal for hauling bulk commodities and moving over-size equipment.

The annual traffic on America's inland navigation system, including the Mississippi River from Minneapolis to the Gulf of Mexico, the Ohio River and its navigable tributaries, the Gulf Intracoastal Waterway, and the Columbia-Snake River system, carries the equivalent of 58 million truck trips each year. Hypothetically, if current waterway freight traffic were to be diverted to the nation's highways, heavy truck traffic on Interstate highways between cities would nearly double. The impact on urban Interstate highways through cities would be more severe. It is difficult to appreciate the carrying capacity of a barge until one understands how much tonnage a single barge can move. A standard dry cargo barge can move as much cargo as 70 trucks or 16 rail cars.

For example, one loaded covered hopper barge carries enough wheat to make almost 2.5 million loaves of bread. A loaded tank barge carries enough gasoline to satisfy the annual demand of about 2,500 people. If the current waterway freight traffic were diverted to rail, the tonnage on the nation's railroad system

would increase by nearly 25 percent. The burden would not be evenly distributed; a heavier burden would be placed on the Eastern U.S. railroads, already operating at near capacity.

### **Additional Considerations**

#### The Harbor Maintenance Trust Fund

The current state of the nation's harbors and navigation channels, getting narrower and shallower each year, requires a substantial increase in spending on harbor maintenance. Accordingly, we remain concerned about the current balance in the Harbor Maintenance Trust Fund (HMTF). As of September 30, 2009, the balance in the HMTF was \$5.113 billion, an increase of \$461 million (10 percent) over the FY 2008 year-end balance, even after all fund transfers to USACE and other authorized users. This balance has grown by \$3.239 billion, or by 173 percent, since the end of 2002. Revenues have substantially exceeded appropriations for a number of years despite the demonstrated need for harbor maintenance. As Congress considers additional opportunities to invest in water resources spending to stimulate the economy, the surplus in the HMTF should not be overlooked as an immediate source of revenue to fund these critical projects. Furthermore, as Congress looks towards long-term investment, AGC strongly recommends enactment of legislation setting the appropriations from the HMTF each year equal to projected revenues to be collected in the HMTF for that year.

#### Continuing Contracts and Reprogramming

The FY 2006 Energy and Water Appropriations Act made significant changes restricting the functionality of continuing contracts and enacted new restricted reprogramming authority. AGC strongly believes that use of the continuing contract is an important contracting mechanism given the vastly varied scope of projects executed by USACE. Unfortunately, limited resources for long-term civil works projects have constrained the immediate benefits water resources projects offer the nation. Take, for example, an O&M contract for a lock and dam project. If this lock and dam contract is a three-year project that becomes a five-year project, due to inadequate appropriations, the government is building a structural inefficiency into the procurement process. This robs the taxpayer in two ways. First, the public is deprived of two years of desperately needed working infrastructure. Second, the ultimate cost of the project skyrockets due to escalating materials and labor prices, as well operating costs – all of which would never have into have come into play had the project taken the projected three years.

It is the same story with deferred maintenance. A lock and dam that receives regular maintenance will last at least twice as long as one that does not. The cost of timely maintenance and repair is a tiny fraction of constructing a new lock and dam, and the taxpayer ultimately foots the higher price tag when repairs are finally undertaken.

These costs are also not always represented in the final dollar amount of repairs. The costs also include the lost commerce and transportation opportunities when a waterway shuts down. Farmers cannot sell their products or obtain needed supplies, factories cannot get materials in or their finished products out, and the transportation costs (both numerical and environmental) soar as alternative routes, if any, must be taken. You would not wait until a bridge carrying an interstate highway falls down to appropriate money to repair it. Locks and dams are the bridges of the inland waterways transportation system.

Additional funds to accelerate project execution under continuing contracts should be considered an overall benefit to the nation. There are immediate economic stimulus benefits to be derived from directing additional funds to these types of ongoing projects. In these instances, contractors are already

mobilized and performing work, but the amount of work they can perform is limited by available funds. With additional funding, contractors could hire more workers immediately and complete the project quicker. Accordingly, we urge the committee to reassert its jurisdiction over this issue by revising how continuing contracts are utilized and allow for the reprogramming of funds to projects that are performing in excess of their annual appropriations. Allowing USACE and its contractors this authority will create substantial efficiencies towards the creation of critically needed civil works projects.

For example, the FY 2008 Omnibus Appropriations Bill and the Recovery Act granted USACE additional flexibility to meet existing obligations and unforeseen operations and maintenance needs. This additional flexibility is crucial to help USACE meet the ever-changing needs of civil works project execution, and I hope that Congress will consider extending this courtesy to certain projects in the other accounts as necessary. USACE must be allowed to reprogram unused funds to projects to best meet the needs of the nation.

### **Concluding Remarks**

Madam Chairwoman, we at Manson Construction Co. and the members of AGC are ready to build these projects, so we can create and sustain jobs throughout the country. Construction has always been an engine of economic stimulus and can play that role once again. Increases in infrastructure investment can be quickly put to work and will have a direct, immediate, and dramatic impact on the economy. Moreover, since some construction contracts take many years to complete, investment made today will provide economic growth through any prolonged period of economic downturn. Most importantly, however, the long-term economic benefits of infrastructure investment today should not be overlooked. Through additional investment in infrastructure, our nation would be well positioned to emerge from the economic downturn, rebuild our world-class infrastructure system, and ensure our continued economic prosperity well into the future.

Thank you for this opportunity to comment. I look forward to working with the Committee and would be happy to answer any questions.